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 Alcatel-Lucent USA Inc. and
 Alcatel-Lucent, S.A.

UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA
 SAN JOSE DIVISION

SANDISK CORPORATION,

Plaintiff,

vs.

LUCENT TECHNOLOGIES INC. and
 ALCATEL-LUCENT, S.A.,

Defendants.

AND RELATED COUNTERCLAIM

No. C 07-03618 JF

**STIPULATION AND ORDER
 DISMISSING COMPLAINT AND
 COUNTERCLAIM**

1 WHEREAS, on July 16, 2007, Plaintiff SanDisk Corporation (“SanDisk”) served
2 a Complaint for Declaratory Judgment of Patent Non-Infringement and Invalidity in connection
3 with U.S. Patent No. 5,341,457 (the “’457 patent”) and U.S. Patent No. RE39,080 (the “’080
4 patent”);

5 WHEREAS, on October 12, 2007, Defendants Alcatel-Lucent USA Inc. (formerly
6 known as Lucent Technologies Inc.) and Alcatel-Lucent, S.A. (collectively, “Alcatel-Lucent”)
7 filed a Motion to Dismiss Without Prejudice or Stay Pending Resolution of Appeal in Related
8 Case;

9 WHEREAS, on October 12, 2007, Alcatel-Lucent filed an Answer and
10 Counterclaim, in which it asserted that SanDisk makes, uses, sells, and offers to sell products
11 that infringe the ’080 patent;

12 WHEREAS, on September 24, 2008, the Court granted Alcatel-Lucent’s Motion
13 for Stay *nunc pro tunc* to March 14, 2008 pending a decision from the Federal Circuit in the
14 appeal of *Lucent Technologies, Inc. v. Gateway, Inc.* Appeal Nos. 2007-1546, -1580 (the
15 “*Microsoft* case”);

16 WHEREAS, on September 25, 2008, the Federal Circuit issued its decision in the
17 appeal of the *Microsoft* case;

18 WHEREAS, in its decision the Federal Circuit affirmed the district court’s
19 judgment that the ’080 patent was jointly owned by Fraunhofer Gesellschaft and that “Lucent
20 lacked standing to sue in the absence of Fraunhofer”;

21 WHEREAS, in its decision the Federal Circuit affirmed the district court’s
22 judgment as a matter of law that use of Microsoft’s Windows Media Player did not infringe the
23 ‘457 patent, stating among other things that the record did not contain “sufficient evidence to
24 establish that the High Quality encoder actually runs on Windows Media Player and [that] it
25 would be too speculative to conclude that Windows Media Player necessarily infringes the
26 ‘457 patent”; and

27 WHEREAS, the parties agree that in this case SanDisk’s claims for declaratory
28 judgment related to the ’457 and ’080 patents and Alcatel-Lucent’s counterclaim for

1 infringement of the '080 patent should be dismissed as set forth below.

2 THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by and between
3 the undersigned parties that:

4 1. "Alcatel-Lucent" shall mean Alcatel-Lucent USA Inc., Alcatel-Lucent
5 S.A., their subsidiaries and all predecessors, affiliates, and assigns.

6 2. "SanDisk" shall mean SanDisk Corporation, its subsidiaries and all
7 predecessors, affiliates, and assigns.

8 3. "SanDisk Media Players" means the MP3 players within the SanDisk
9 DAP, e100, m200, c100, e200, c200, Express, Shaker, Connect, Clip, View, Fuze and slotMusic
10 series of MP3 players that were marketed by Sandisk on or before November 19, 2008.

11 4. SanDisk represents that the SanDisk Media Players do not encode audio
12 using a process that employs, as claimed in the '457 patent, a chaos measure or metric, a tonality
13 measure or metric, or a randomness measure or metric.

14 5. In consideration of SanDisk's representation in Paragraph 4, Alcatel-
15 Lucent unconditionally covenants: (a) not to sue or otherwise seek to hold SanDisk liable for
16 direct or indirect infringement of the '457 patent based on its manufacture, having manufactured,
17 importation, distribution, use, sale and/or offering for sale of the SanDisk Media Players, and
18 (b) not to sue or otherwise seek to hold SanDisk's direct or indirect customers or distributors
19 liable for infringement of the '457 patent based upon their importation, distribution, use, sale
20 and/or offering for sale of SanDisk Media Players as offered by SanDisk. SanDisk and Alcatel-
21 Lucent expressly recognize that this covenant does not extend to a third party for that third
22 party's use or supply of encoding software with the SanDisk Media Players.

23 6. SanDisk's declaratory judgment claims concerning the '457 and '080
24 patents are hereby dismissed without prejudice.

25 7. Alcatel-Lucent's counterclaim of infringement of the '080 patent is hereby
26 dismissed. Such dismissal shall be with prejudice to the extent the Court has jurisdiction to
27 dismiss with prejudice.

8. Each party shall bear its own costs and attorneys' fees incurred in this
Action.

SO STIPULATED.

DATED: November 19, 2008

BINGHAM MCCUTCHEN LLP

By: /s/Thomas E. Kuhnle
Thomas E. Kuhnle
Attorneys for Plaintiff/Counter-Defendant
SanDisk Corporation

DATED: November 19, 2008

KIRKLAND & ELLIS LLP

By: /s/Jenny N. Lee
Jenny N. Lee
Attorneys for Defendants/Counter-Plaintiffs
Alcatel-Lucent USA Inc. and
Alcatel-Lucent, S.A.

PURSUANT TO STIPULATION, IT IS SO ORDERED.

DATED: 11/20/08


By: _____
THE HONORABLE JEREMY FOGEL
UNITED STATES DISTRICT JUDGE